



CHARTER CONVERSION APPLICATION

GENERAL INFORMATION AND INSTRUCTIONS

Preparation and Use

This application is used to effect a transaction under the Idaho Bank Act for the conversion of a national bank to a state chartered bank.

This application form collects information that the Idaho Department of Finance (“Department”) will need to evaluate a conversion application. The Department must consider the applicable statutory and regulatory requirements when acting on this application. The Applicant may contact the Department directly for specific instruction or visit its Web site at <http://finance.idaho.gov>.

Idaho Code § 26-906 allows a national bank located in Idaho to convert into a state bank by following the procedure prescribed by the laws of the United States to convert into a state bank; it shall be granted a charter by the Director of Finance unless it is found that the bank does not meet the standards as to location of offices, capital structure, and business experience and character of officers and directors for the incorporation of a state bank.

A national bank may apply for such charter by filing with the director a certificate signed by its president and corporate secretary and by a majority of the entire board of directors, setting forth the corporate action taken in compliance with the provisions of the laws of the United States governing the conversion of the national bank to a state bank, and the articles of incorporation, approved by the stockholders, for the government of the bank as a state bank.

All questions must be answered with complete and accurate information that is subject to verification. If the answer is “none”, “not applicable”, or “unknown”, so state. Answers of “unknown” should be explained.

The questions in the application are not intended to limit the Applicant’s presentation nor are the questions intended to duplicate information supplied on another form or in an exhibit. For such information, a cross reference to the information is acceptable. Any cross-reference must be made to a specific cite or location in the documents, so the information can be found easily. Supporting information for all relevant factors, setting forth the basis for Applicant’s conclusions, should accompany the application. The Department may request additional information.

A conversion examination by the Department may be conducted in order to obtain relevant information about the condition of the institution. Management will be contacted concerning this matter.

Dodd-Frank Act: Prohibition of Certain Conversions

Section 612 of the Dodd-Frank Act generally prohibits charter conversions by a national bank or federal savings association to a state bank or state savings association, or by a state bank or state savings association to a national bank or federal savings association, while the institution is subject to a cease and desist order (or other formal enforcement order) issued by, or a memorandum of understanding entered into with, its current federal banking agency or state bank supervisor with respect to a significant supervisory matter.

The Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) (collectively, the agencies), interpret section 612 to cover all formal enforcement actions - orders, agreements, directives, or other documents - that are enforceable under 12 U.S.C. 1818 (or the equivalent in the case of actions by a state bank supervisor), since by their nature they involve a significant supervisory matter. Section 612 also covers a memorandum of understanding that involves a significant supervisory matter, as determined by the agency with which the memorandum was entered.

Section 612(d) of the Dodd-Frank Act contains an exception to the conversion prohibition. The prohibition does not apply if:

1. The federal banking agency that would become the appropriate federal banking agency after the proposed conversion gives the federal banking agency or state bank supervisor that issued the enforcement action a written notice of the proposed conversion with a plan to address the significant supervisory matter in a manner that is consistent with the safe and sound operation of the institution;
2. The federal banking agency or state bank supervisor that issued the enforcement action does not object to the conversion or the plan;
3. The post conversion federal banking agency agrees to implement the plan; and
4. In the case of a final enforcement action by a state attorney general, approval of the conversion is conditioned on the insured depository institution's compliance with the terms of such final enforcement action.

Prior to submitting a charter conversion application, an institution subject to the section 612 prohibition is encouraged to contact the current chartering authority, the prospective chartering authority, the current federal banking agency, and the prospective federal banking agency to discuss the proposal. This would facilitate immediate information sharing among regulatory agencies and allow for an initial assessment of the feasibility of the proposal. When a conversion does proceed, the prospective federal banking agency will keep in place the preconversion ratings that were assigned in accordance with the agencies' uniform rating systems and outstanding corrective programs.

Dodd-Frank Act: Notification and Information Sharing

Section 612(e)(1) of the Dodd-Frank Act provides that, at the time an insured depository institution files a conversion application with the prospective chartering authority, the insured depository institution must send a copy of the conversion application to its current federal banking agency and to its prospective federal banking agency.

Confidentiality

Any Applicant desiring confidential treatment of specific portions of the application must submit a request in writing with the application. The request must discuss the justification for the requested treatment. The Applicant's reasons for requesting confidentiality should specifically demonstrate the harm (for example, loss of competitive position, invasion of privacy) that would result from public release of information. Information for which confidential treatment is requested should be: (1) specifically identified in the public portion of the application (by reference to the confidential section); (2) separately bound; and (3) labeled "Confidential". The Applicant should follow the same procedure when requesting confidential treatment for the subsequent filing of supplemental information to the application.

The Applicant should contact the Department for specific instructions regarding requests for confidential treatment. The Department will determine whether the information will be treated as confidential and will advise the Applicant of any decision to publicly release information labeled as "Confidential".

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(Check all appropriate boxes.)

Charter Type of Converting Bank

- National Bank
- Federal Savings Bank or Association
- Other _____

Chartering Agency

- Office of the Comptroller of the Currency
- State _____

Federal Reserve Status

- Member Bank
 - Nonmember Bank
-

Converting Institution

Proposed Name

Current Name

Current Street Address

City

State

ZIP Code

Parent Company Identifying Information (if applicable)

Name

Street

City

State

ZIP Code

Contact Person

Name

Title

Employer

Street

City

State

ZIP Code

Telephone Number

Fax Number

E-Mail Address

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1. Overview

- (a) Provide a brief statement detailing why the institution is interested in converting to a state bank.
- (b) Provide a statement of qualification as an “eligible depository institution,” if applicable.
- (c) Describe any issues about the permissibility of the proposal and identify any regulatory waiver requests, providing adequate justification. The applicant should consult with the Idaho Department of Finance to determine if the proposal presents any unusual legal concerns that would require an expanded legal opinion.
- (d) If exercising fiduciary powers after the conversion, submit: 1) a list of applicable laws; 2) the location(s) where fiduciary activities will be conducted; 3) biographical information on trust management, including educational and professional credentials and 5-year employment history; and, 4) if limited powers are requested, list the powers requested.
- (e) Provide a copy of the proposed Articles of Incorporation for the converted bank. The Articles are to be filed in the Office of the Secretary of State when the Director approves this application and are not effective until the conversion is consummated. Refer to Idaho Code § 26-203.
- (f) Provide a copy of the proposed Bylaws for the converted bank. The bylaws are not effective until the conversion is consummated and a copy of the Bylaws is mailed to the Department. Refer to Idaho Code § 26-207.
- (g) Provide a copy of the strategic or business plan and provide details on any significant change in the institution’s operations, strategy, market area, funding, loan composition, portfolio, lines of business, scope of activities, products, or services.

At a minimum, the strategic or business plan should address or include:

- Any anticipated changes in operations, strategy, market area, funding, loan composition, portfolio, products, or services.
- Future business objectives of the resulting state bank.
- Any plans to raise additional capital.
- Projected financial statements for a period of three years that reflect the effects of conversion, along with any adjusting entries that result from the conversion.

2. Management

- (a) Provide a list of any individual, or group of shareholders acting in concert that owns, or will own, or control 10 percent or more of the institution’s stock.

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Indicate any positions and offices currently held, or to be held, by these individuals with the institution, the institution's holding company, or its affiliates. Contact the Department to determine whether Interagency Biographical and Financial Reports and fingerprint cards will be needed for these individuals.

- (b) Provide a list of directors and senior executive officers. Indicate any positions and offices currently held, or to be held, by these individuals with the institution, the institution's holding company, or its affiliates. Contact the Department to determine whether Interagency Biographical and Financial Reports will be needed for these individuals.
- (c) Submit a Corporate Biographical and Financial Report if the institution is owned by a company that is not a regulated bank or thrift holding company.
- (d) Describe the plans of management and the directors to familiarize themselves with state banking laws, rules, and regulations.
- (e) Indicate any anticipated changes in the management or directorship.
- (f) Submit the signed "Oath of Director" for each director. Refer to Idaho Code § 26-213.
- (g) Describe all outstanding or proposed stock awards, options, warrants, or other similar stock-based compensation plans offered as compensation to bank directors, executive officers, principle shareholders, and other bank insiders by the bank or holding company. Include in the description:
 - The duration limits.
 - The vesting requirements.
 - Transferability restrictions.
 - Exercise price requirements.
 - Rights upon termination.
 - Any "exercise or forfeiture" clause.
 - Number of shares to be issued or covered by the plans.

Provide a list of participants, allocation of benefits to each participant, and a copy of each plan, proposed or current. If the compensation is part of an employment agreement, submit the portion of the agreement relative to the plan. All plans must conform to applicable regulatory guidelines. Refer to Idaho Code § 26-214.

3. Financial Information

- (a) Submit the most recent quarterly Balance Sheet, Income Statement, and Risk-based Capital Schedule. The Capital Schedule should detail the elements of Tier 1 and Tier 2 capital and show the calculation of the risk-based capital and leverage ratios on a present and projected basis. The Bank Call Report (see the Call Report Forms and Instructions)

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or Thrift Financial Report may be used. In addition, for capital information FFIEC “Schedules RC-R” or the “Optional Regulatory Capital Worksheet,” Parts 1-3, may be used.

- (b) Submit the most recent audited financial statements. If an external audit is not available, the directors’ audit may be submitted.
- (c) Submit the most recent annual report for the institution and 10K for the parent company, if applicable.
- (d) If the institution is currently exercising trust powers, submit the most recent data on trust assets in the format of Call Report Schedule RC-T – Fiduciary and Related Services. See Schedule RC-T and the Call Report Instructions.
- (e) Discuss any differences between accounting used by the institution and GAAP.

4. Capital

- (a) Discuss the adequacy of the capital structure relative to internal and external risks; operational and financial assumptions, including technology, branching, and operating expenses; and any off-balance-sheet activities.
- (b) Provide a representation that the institution’s current capital meets applicable federal regulatory bank capital standards (12 CFR 208 for proposed state member bank or 12 CFR 325 for proposed state nonmember bank). Provide the following information:

Capital stock	\$(amount)
Surplus	\$(amount)
Total capitalization	\$(amount)
Number of shares authorized	(amount)
Number of shares issued	(amount)
Par value per share	\$(amount)

- (c) Identify the institution’s capital category for purposes of Prompt Corrective Action.

5. Premises and Fixed Assets

- (a) Identify the converted institution’s full main office address, including county. Consult with the Department if the location is different from the institution’s current main office location.
- (b) Provide a list of: 1) existing branches that will continue to operate after the conversion, including the popular name and complete address, 2) branches approved, but unopened, including their complete address, plans for operation, and a copy of the state and federal approvals, and 3) the addresses of any operating facilities that are not currently

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considered branches, but would be considered branches if operated by a state bank. All list(s) should be followed by a certification that each location is a permissible location for a state bank to operate a branch. Applicable federal and state branch law should be discussed, as well as any geographic limitations, quantitative factors, and qualitative factors.

- (c) Provide a representation of compliance with Idaho Code § 26-707 regarding investment limits in bank premises. If not in compliance, submit a request for excess investment pursuant to Idaho Code §§ 26-707 or 26-1101.

6. Subsidiaries and Investments

- (a) Provide a list of permissible subsidiaries, including operating, financial and statutory subsidiaries, to be retained and the nature of their business.
- (b) Provide a list of any nonconforming assets currently held where permanent retention is desired. Full details regarding the asset should be provided, including a description, when it was acquired, and its value. Describe the preconverted federally chartered institution's authority to hold the asset.
- (c) Provide a list of any nonconforming assets or activities currently held, including nonconforming subsidiaries, where temporary retention is desired while conforming or divesting of the assets or activities. The nature of the asset or activity, the plan to divest or conform the asset or activity, and the timeframe needed to divest or conform the asset or activity should be included.
- (d) Provide a list of any noncontrolling interests currently held in other entities and other equity investments where retention is desired and it is consistent with applicable law. The applicant should identify whether it desires permanent or temporary retention, whether conformance or divestiture will be necessary and any timeframe necessary for conformance or divestiture.

7. Other Information

- (a) Discuss the institution's planned and existing electronic banking services.
- (b) Provide a representation that the institution has sufficient fidelity.
- (c) Provide a statement indicating whether the institution is a member of the Federal Reserve or Federal Home Loan Bank (FHLB) System. Also, state whether the institution holds any FHLB stock or advances if it does not plan to continue its FHLB membership.
- (d) Submit the most recent Community Reinvestment Act (CRA) public evaluation and discuss any material changes in the institution's plans to meet

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CRA obligations. If the institution is not now subject to CRA, describe how CRA obligations will be met, if applicable.

- (e) For parent companies other than bank holding companies, provide a copy of the parent company's application to become a bank holding company. If it is not the intent of the parent company to become a bank holding company, discuss the resolution plans for the parent company or provide the legal authority for the parent company to continue to own the state bank following the conversion.

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Idaho Department of Finance CERTIFICATION

I certify that the information contained in this application has been examined carefully and is true, correct, complete, and current as of the date of this submission. Additionally, I agree to notify the Idaho Department of Finance if the facts described in the filing materially change prior to receiving a decision or at any time prior to consummation of the conversion. I acknowledge that any misrepresentations or omissions of material facts with respect to this application, any attachments to it, and any other documents or information provided in connection with this application may be grounds for denial or revocation of the approval, or grounds for an objection to the undersigned as a proposed director or officer of the proposed financial institution.

I acknowledge that approval of this application is in the discretion of the Idaho Department of Finance. Actions or communications, whether oral, written, or electronic, by an agency or its employees in connection with this filing and in connection with any additions, modifications, or amendments to this filing, including approval of the application if granted, do not constitute a contract, either express or implied, or any other obligation binding upon the agency, other federal banking agencies, the United States, any other agency or entity of the United States, or any officer or employee of the United States. Such actions or communications will not affect the ability of any federal banking agency to exercise its supervisory, regulatory, or examination powers under applicable law and regulations. I further acknowledge that the foregoing may not be waived or modified by any employee or agent of the Department or of the State of Idaho.

President or other authorized officer

Typed Name

Title

Employer